

USDA



Farm Service Agency

Kentucky NEWS

June 2005

Tobacco Transition Payment Program (TTPP)

The deadline to sign-up for the USDA's new **Tobacco Transition Payment Program** (also called "Tobacco Buyout") is **June 17, 2005**. Contact your local FSA Office to schedule an appointment if you have not signed up and you owned a farm with a tobacco quota in 2004 or shared in the risk of producing tobacco during any of the 2002, 2003, or 2004 marketing years.

The Tobacco Transition Payment program (TTPP) provides payments to tobacco quota holders and tobacco producers beginning in 2005 and ending in 2014.

**Sign-up by
June 17th
to receive a
2005
payment!**

TTPP payments will be made between June and Sept. 2005 for Fiscal Year 2005. Subsequent payments in future years will be issued annually during the month of January.

All aspects of the Federal tobacco marketing quota and price support loan programs are ending. Beginning with the 2005 crop this means, there are no planting restrictions, no marketing cards, and no price support loans.

Signing up for the Tobacco Transition Payment Program (TTPP) is the final and only opportunity to receive Federal payments related to tobacco production.

For more information, call 1-866-887-0140 or visit www.fsa.usda.gov/tobacco.

Crop Disaster Assistance

Sign-up is underway for the 2003-2004 Crop Disaster Program (CDP). The program covers crop losses due to damaging weather for either the 2003 or 2004 crop year. To be eligible, you must have suffered a greater than 35-percent production loss or more than a 20-percent quality loss.

The payment rate has increased to 65-percent of the established com-

modity price for insured crops and noninsured crops, and 60 percent of the price for uninsured commodities.

You may apply for assistance for any crop that is eligible for coverage under the Federal Crop Insurance or the Noninsured Crop Disaster Assistance Program, also known as NAP.

The payment limit is \$80,000 per producer. Producers with gross incomes of greater than \$2.5 million are ineligible. Any producer who did

not purchase federal crop insurance or NAP coverage for the year disaster program payments will be issued must do so for 2006 as a requirement of receiving program benefits. The closing date for this sign-up will be announced later.

Failed to Sign your 2005 DCP Contract?

If you did not remember to sign your 2005 Direct and Counter-cyclical Program (DCP) contract before June 1, a late-signing fee of \$100 per farm will be assessed. The deadline for 2005 is September 30.



Change of address must be reported to your LOCAL FSA County Office.

A directory of local FSA County offices is available on-line at: <http://www.fsa.usda.gov/ky/>

Message from the State Director ...

It may seem like we just went through the process of rewriting the farm bill. The current law is set to expire in 2007. While that may seem like it is too far in the future to worry about today, it is important enough to engage in a discussion sooner rather than later.

Secretary of Agriculture, the Honorable Mike Johanns, has already announced the United States Department of Agriculture's intentions to conduct nationwide listening sessions on our nation's farm policy. Secretary Johanns wants to "ask farmers and ranchers how our farm policy is affecting them and how we might make that policy better".

The Farm Security and Rural Investment Act of 2002 included policy on farm programs, conservation, rural development, international

trade, nutrition programs, credit, forestry, research, education, and energy. This legislation was the most comprehensive law ever written on agricultural and rural policy.

While the writing of agricultural policy will fall to the legislative branch, President's Bush's administration is preparing to be actively engaged in the national debate on the current and future agricultural policy. Secretary Johanns has stated, "my whole goal here is to literally invite the farm community to be involved in this process".

If you are interested in the programs that support our nation's farmers, if



you are concerned about our natural resources, and if you care about our rural communities then the next farm bill will set the policies for the next several years. As details are developed on locations and dates please take the opportunity to express your opinion.

Noninsured Crop Disaster Assistance Program (NAP)

NAP provides financial assistance to eligible producers affected by natural disasters. Eligible crops include commercial crops and other agricultural commodities produced for food (including livestock feed) or fiber for which the catastrophic level of crop insurance is not available.

What if the crop fails? When a covered crop is affected by a natural disaster, you must notify your local FSA office by completing a Notice of Loss (form CCC-576) within 15 calendar days of the natural disaster occurrence or the date the damage became apparent.

NAP covers losses greater than 50 percent of your expected production at 55 percent of the average market price.

Crop Reports: To remain eligible for NAP, you must annually report the crop, including: type and variety, crop location, producer shares, date the crop was planted, type of practice used and intended use (fresh, processed, etc.). Once harvested, the production must be reported.

Crop Acreage Reports Required



Final Reporting Dates

May 31 Small Grains

July 15 All Other Crops, Except Small Grains

Sept 30 Value Added Crops
(Sod Grass, Crustaceans, Christmas Trees, Fin Fish, Ornamental Nursery, Floriculture)



Producers who participate in the Direct and Counter-Cyclical Program (DCP) or request a commodity loan or LDP will be required to annually report all crops on the farm. FSA program participation depends on accurate acreage reports.

Starting in 2005, producers will be required to provide planting dates

on each field for all crops. If you have a crop that has not been planted by the final reporting date, the report must be filed by 15 calendar days after the planting is completed to be timely filed.

Producers with Noninsured Assistance Program (NAP) crops should contact their local office to determine the certification deadline.

Farm Storage Facility Loans



Low cost loans for storage facilities are available to build or remodel farm storage facilities for a variety of commodities. The 7-year Farm Storage Facility Loans are available for the purchase and installation of eligible storage facilities, permanently affixed drying or handling equipment, or remodeling existing facilities.

Eligible facilities include new conventional-type cribs or bins and new and remanufactured oxygen-limiting and other upright silo-type structures.

All farm storage facility loans are secured by a promissory note and security agreement. The maximum amount that may be borrowed is 85 percent of the net cost of the storage or handling equipment, up to \$100,000 for each borrower. A minimum down payment is also required. For details contact your local FSA County office.

Failed Crop???

Report within 15 days of the disaster, any failed crop acreage or before the ending planting date.

LDP REMINDERS

Stored commodity on the farm: Once the commodity is harvested, you can request a farm-stored LDP until the commodity leaves your farm. The payment rate is based on the date you apply. You must apply for a farm-stored LDP using a CCC-633 before you sell or feed the crop as long as there is an LDP rate in effect.

Grain sold directly from the field: You must sign a CCC-709 prior to harvesting the crop. The LDP rate is based on the date the grain is delivered. Your sales receipts are your documentation. Receipts should include your name and address, the buyer's name, address and telephone number, the quantity sold, the date of delivery and proof of payment.

The field-direct option is available to producers who normally dry the grain on the farm and then immediately deliver it to a buyer. The grain may also be in temporary storage on the farm for immediate delivery to the buyer.

Grain being fed out during harvest: Chopped wheat, for instance, fed out during harvest is still eligible for an LDP. Keep track of the harvest dates and the tonnage chopped. You need to sign a CCC-709 (just like for field direct LDPs) prior to harvest. The LDP rate is based on the dates of harvest. The county committee determines your yield using the whole grain quantity harvested on your farm, three similarly farms or their recommendations. You have 60 calendar days after the date of harvest to provide this information to the FSA county office. Grazing is not considered harvested and is not eligible for an LDP.



Maintenance of CRP Cover

Cover maintenance is your responsibility and must be done according to your conservation plan. All CRP maintenance activity, such as mowing, burning and spraying, must be conducted outside the primary nesting season for wildlife and in accordance with the conservation plan.

Spot treatment of the acreage may be allowed during the primary nesting season if certain criteria are met. The ending date for the primary nesting season in Kentucky is August 1. Visit or call your local county office for more information.

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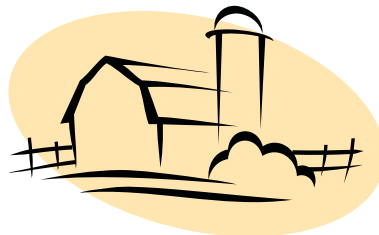
To file a complaint of discrimination, write: USDA, Director of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice and TDD). USDA is an equal opportunity provider and employer.

Farm Loan Programs

Financial Assistance Available

FSA lends money and provides financial assistance to eligible applicants who operate family-size farms. Under the Guaranteed Loan Program, FSA guarantees loans made by conventional lenders for up to 95 percent of principle. The lender may sell the guaranteed portion of the loan to a third party; however, that will not change your relationship with your lender. All loans must meet certain qualifying criteria to be eligible for guarantees, and FSA will monitor the lender's servicing of the loan. For those unable to qualify for a Guaranteed Loan, FSA offers Direct Loans, which are made and serviced by FSA. Funding for Direct loans is more limited; therefore, applicants may encounter delays in receiving loans until funding is available.

To qualify for a Direct Farm Loan, the applicant must have sufficient repayment ability and loan collateral.



Apply for Your Loan Today

FSA is committed to providing family farmers with loans to meet their farm credit needs. If you are having trouble getting the credit you need for your farm, or regularly borrow from FSA, direct and guaranteed loans are available now.

Ask your lender about an FSA loan guarantee if your lender is reluctant to renew or extend your loan.

Most FSA loan programs have special funding available for minority, female and beginning farmers.

Applying early is important!

Loan Limits Increased

Effective Oct. 1, 2004, FSA's guaranteed loan limits have increased. Limits include new guaranteed loans plus any outstanding direct or guaranteed principle balances, as indicated, owed by anyone who will sign the promissory note.

The Total outstanding:

- Combined guaranteed Farm Ownership (FO) and Farm Operating (OL) principle balance cannot exceed \$813,000;
- Direct and guaranteed FO principle

balance cannot exceed \$813,000;

- Direct and guaranteed OL principle balance cannot exceed \$813,000;
- Combined outstanding direct and guaranteed FO and OL balance cannot exceed \$1,013,000; and
- Combined outstanding direct and guaranteed FO, OL and Emergency Loans (EM) balance cannot exceed \$1,513,000.

Youth Loans

FSA can assist eligible rural youth with loans to establish and operate an income producing project in conjunction with 4-H, FFA or another supervised youth program. Youth loans can be used for any agricultural related enterprise such as crops, purchase of cattle or equipment.



To be eligible, the individual must be between the ages of 10 and 20, must have the permission of their parents, and the recommendation and oversight of a project advisor. Loan maximum is \$5,000 per person for up to 7 years.

Socially Disadvantaged Loans

Each year FSA reserves funds to make loans to socially disadvantaged applicants to buy and operate family-size farms. Eligible persons include women, African Americans, American Indians, Alaska Natives, Hispanics, Asians and Pacific Islanders.

Special Accommodations

will be made upon request for individuals with disabilities, vision impairment or hearing impairment. If accommodations are required, individuals should contact their local FSA County office.

Farm Business Plan

The Farm Service Agency will provide direct and guaranteed farm loan borrowers with a new online Farm Business Plan, an accounting system that will enhance the quality and speed of service that FSA offers farmers and other agricultural producers.

The new Plan is powered by easy-to-use computer software that is one of the most widely used financial planning tools in the lending industry today. When fully implemented, the Farm Business Plan will allow borrowers to document cash flow, expenses, assets, debts, and other important financial information.

FSA borrowers will be able to fill out and submit their Farm Business Plan via the Internet to local FSA County offices, 24 hours a day, 7 days a week.

Producers who do not own computers, but who wish to use the system, will be able to access their accounts easily through computers at local public libraries and other facilities with Internet access. Borrowers without computers may also complete the worksheets by hand.



All users will acquire identification names and passwords to access the system so personal information remains secure. The system meets Federal and USDA requirements for electronic commerce and lending services.

The following are some of the benefits offered by the new Farm Business Plan:

- FSA employees will be able to assist producers more quickly in the completion of their Farm Business Plan.
- Producers can make fewer trips to the FSA office.
- Producers will have access to their Farm Business Plan at all times and the system allows you to chart the progress of the farm operations.
- FSA Farm Loan Officers can share information more quickly with guaranteed lending partners and other FSA farm loan officials.

Animal Identification Program

Agriculture Secretary Mike Johanns has called on agriculture producers, leaders, and industry partners to provide feedback on the draft plan for the National Animal Identification System. USDA unveiled a multi-year draft strategic plan for national animal identification on May 5, 2005. The plan is available on the USDA web

site at <http://www.usda.gov/nais> and will be published in the Federal Register.

Copies of a brochure developed by the USDA Animal Plant and Health Inspection Service "The National Identification System (NAIS)" are available at FSA county offices.

eLDP's Go Online



The Farm Service Agency's new electronic Loan Deficiency Payment Service (eLDP) is an Internet-based service allowing producers to request LDP's online, and in most cases, receive approval and payment by direct deposit within 48 hours. eLDP's are offered as an additional option to requesting LDP benefits at the local FSA county office.

In addition to other LDP requirements, customers must complete the following to be eligible for eLDP:

- Have an active USDA eAuthentication Level 2 account
- Complete form CCC-643E, "Request for Electronic Loan Deficiency Payment Services," at their local FSA county office. The CCC-643E must be completed each crop year.

Kentucky FSA News is published by

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Contact your local FSA County Office to:

- ✓ Obtain additional information on FSA programs, or
- ✓ Report a name and/or address change.

FSA Strategic Plan

The Farm Service Agency's draft Strategic Plan for Fiscal Years 2005-2010 is available on the agency's Web site (<http://www.fsa.usda.gov/bpms>) for public review and comment. The plan compliments USDA's Strategic Plan and will serve as the agency's guide to improving its service to farmers.

Producers are encouraged to review the plan, which will also be available at the FSA County offices, and offer their comments. Producers can request a printed copy of the plan by calling the Strategic Performance and Evaluation Staff at (202) 418-9064, or sending an e-mail request to YourFSAComments@wdc.usda.gov.

Comments on the draft plan can be submitted via e-mail to YourFSAComments@wdc.usda.gov, or fax to (202) 418-9125.

CRP Continuous Sign-up

Under the Continuous Conservation Reserve Program (CRP) you can enroll certain practices such as filter strips, riparian buffers, grass waterways, shelterbelts, field windbreaks, shallow water areas for wildlife, and wetland restoration on a continuous basis and receive additional financial incentives.

Eligible landowners enter into 10- to 15-year contracts in return for receiving annual rental and perhaps maintenance, incentive and cost-share payments.

Currently 47,405.2 acres are enrolled under Continuous CRP in Kentucky.

TTPP Lump-Sum Payments

The Tobacco Transition Payment Program (TTPP) provide for 10 annual, equal payments to tobacco quota holders and producers. These payments are funded through an assessment of manufacturers of tobacco products and importers of foreign tobacco.

The United States Department of Agriculture (USDA) through the Commodity Credit Corporation will issue these payments over a 10 year period. The first payments will begin in June of 2005 and subsequent payments will be made in January 2006 through January 2014.

The Commodity Credit Corporation will not make any lump-sum payments to individual tobacco quota holders or producers. Financial institutions and private parties have expressed a willingness to enter into agreements for alternative payment arrangements with individual contract holders. There will be 3 general payment options available for the Tobacco Transition Payment Program.

Option 1 is to receive the 10 annual installments from the Commodity Credit Corporation.

Option 2 is an assignment of payments to a third party. Tobacco quota holders and producers will continue to be the holder of the TTPP contract, but they may assign all or any part of their payments to a third party. Assignment of payments do require the completion of form CCC-959 with the local FSA County office. Assignments may be revoked at any time with the permission of the assignee.

The assignment of payments may be entered into at anytime according to the terms of the TTPP. An

assignment may also be executed on the first TTPP installment issued after June 17, 2005.

Option 3 is a successor-in-interest contract. Under this option the tobacco quota holder or producer will transfer the contract and all future payments to a third party. The successor-in-interest contract is not available for the first payment. It will be available for the January 2006 installment and all necessary forms must be completed and filed in the local FSA County office prior to November 1, 2005. Once a successor-in-interest contract is completed it may not be revoked. The November 1st deadline stands for successor-in-interest contracts to be filed for it to be in effect for January 2006 through January 2014.

Lump sum payments must meet a minimum amount under the requirements of the regulations. The maximum amount the value of the contract may be discounted is based on the prime interest rate. The discount rate will be set the first business day of each month by adding 2 percentage points to the prime rate of interest and rounding to the nearest whole number. For May 2005 that rate is 8%. This means a private party or financial institution must base their minimum lump sum payment on an 8 percent rate of interest. They can always offer a better return to individual contract holders.

Finally, the federal tax consequences of the TTPP are being reviewed by the Internal Revenue Service. USDA and FSA are not able to offer tax advice. Seek professional tax advice before entering into any assignment or successor-in-interest contract to understand the full consequences.

Sodbsuter, Swampbuster

Most FSA programs require compliance with sodbuster and swampbuster provisions. These provisions require producers to follow an approved conservation system on all highly erodible land planted to an annual crop, as determined by the Natural Resources Conservation Service (NRCS).

Be sure to have determinations made on any new land you plan to plant to annual crops. If you plan to

plant a different crop on your current cropland, check with NRCS to assure the new crop will qualify under your conservation system.

Swampbuster provisions state that converting a wetland to make possible the planting of a crop will result in the loss of all USDA benefits. To avoid this possibility, it is strongly recommended that producers check with NRCS before starting any kind of dirt work on a wetland.

Monitoring Crop Insurance

Under the provisions of the Agricultural Risk Protection Act 2000, FSA is required to work together with the USDA Risk Management Agency (RMA) to improve program compliance and the integrity of the Federal Crop Insurance Program. This growing season, FSA will again assist RMA in monitoring crop conditions throughout the growing season. FSA will refer all suspected cases of fraud, waste, and abuse to RMA.

If you suspect fraud, waste, or abuse in the crop insurance program, you can call USDA's toll-free hotline at 1-800-424-9121.

Farm Record Changes

If you have sold or bought land, changed tenants, or rented additional land for 2005, please notify your local FSA Office so farm records can be updated.

For land purchased:

- A copy of the deed is required.
- All landowners must furnish their tax ID number.

Losing Beneficial Interest

This is the time of year when farmers consider using commodity sales contracts for their 2005 crops. If that's the case, don't forget that beneficial interest rules apply to loans and loan deficiency payments (LDP). Producers who intend to obtain crop loans or LDPs must maintain title, control and risk of loss in the commodity.

Beneficial interest rules apply to all commodities eligible for CCC loan and LDP. They include wheat, barley, oats, corn, grain sorghum, crambe, canola, flax, mustard, rapeseed, safflower, soybeans, sunflowers, dry peas, lentils, small chickpeas, honey, wool and mohair (and unshown pelts which are eligible

Losing Beneficial Interest, Continued

only for LDPs).

To date, Kentucky producers have received a total \$44.4 million in LDP payments for various 2004 crops.

Sales contracts, including options to purchase, priced later and contracts for future delivery can affect beneficial interest. Once beneficial interest is lost, the commodity remains ineligible for loan or LDP, even if the producer regains control, risk of loss or title later. Some contracts may also have provisions, such as restrictions on ability to mortgage the commodity or storage is earned prior to delivery, that affects when beneficial interest is lost even if no payments have been issued to the seller.

If selling the crop directly from the field, delivering to the shearer at the time of shearing or selling lambs for slaughter, form CCC-709 must be filed in the county office prior to harvesting or shearing in order to maintain eligibility for LDP. If the crop is being harvested as hay, silage or grain and placed into farm storage or the sheared wool is stored on farm after shearing, an LDP must be applied for before the commodity is fed or sold using form CCC-633 LDP.

Reminder
Applying for a loan or LDP...

You must retain beneficial interest in the crop

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June 2005

Kentucky FSA NEWS

**Farm Service
Agency online**



eAuthentication provides Secure Online Environment for Customers. To ensure access to on-line filing:

1 Sign-up for eAuthentication Level 2 Account. Go to:
<http://www.eauth.egov.usda.gov/#L2>

2 Activate your account by going to your local USDA Service Center.

Bank Account Changes

If you make any changes in your bank account or change banks notify FSA to ensure payments reach your account timely. Payments can be delayed if we are not aware of changes to your account or routing numbers.

Important Dates

- ✓ **June 1** Final application date for 2005 DCP
- ✓ **June 15** Nominations Accepted for County Committee Elections
- ✓ **June 17** Final date to sign-up for the Tobacco Buyout
- ✓ **July 4** USDA Service Centers closed for Holiday
- ✓ **July 15** Final date to certify all crops, except small grains
- ✓ **August 3** Final date to submit nominations for County Committee elections
- ✓ **Sept 1** Final date to apply for coverage under NAP for 2006 on Christmas Trees, Crustaceans, Grass-Sod & Finfish
- ✓ **Sept 30** Final date to apply for coverage under NAP for 2006 on Wheat
- ✓ **Nov 1** Final date to file payment assignment for 2006 TTPP
- ✓ **Nov 4** County Committee Election Ballots Mailed
- ✓ **Dec 5** Final date to return County Committee Election Ballots